

other senior management of the member. The requirement that the CROP have no sales functions shall not apply to a member that has received less than \$1,000,000 in gross commissions on options business for either of the preceding two fiscal years or that currently has ten or fewer registered representatives.

#### **(C) Branch Offices**

No branch office of a member shall transact an options business unless the principal supervisor of such branch office accepting options transactions has been qualified as either a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor; provided that this requirement shall not apply to branch offices in which no more than three registered representatives are located, so long as the options activities of such branch offices are appropriately supervised by either a Registered Options Principal or a Limited Principal—General Securities Sales Supervisor.

#### **(D) Headquarters Review of Accounts**

Each member shall maintain at the principal supervisory office having jurisdiction over the office servicing customer accounts, or have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine:

- (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
- (ii) the size and frequency of options transactions;
- (iii) commission activity in the account;
- (iv) profit or loss in the account;
- (v) undue concentration in any options class or classes, and
- (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

### **(21) Violation of By-Laws and Rules of the Association or The Options Clearing Corporation**

(A) In Association disciplinary proceedings, a finding of violation of any provision of the rules, regulations or by-laws of The Options Clearing Corporation by any member or person associated with a member engaged in transactions involving options issued, or subject to issuance, by The Options Clearing Corporation, may be deemed to be conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.

(B) In Association disciplinary proceedings, a finding of violation of any provision of the Rules, regulations or By-Laws of the Association by any member engaged in option transactions may be deemed to be conduct inconsistent with just and equitable principles of trade and a violation of Rule 2110.

### **(22) Stock Transfer Tax**

Any stock transfer or similar tax payable in accordance with applicable laws and regulations of a taxing jurisdiction upon the sale, transfer or delivery of securities pursuant to the exercise of an option contract shall be the responsibility of the seller (writer) to whom the exercise notice is assigned in the case of a call option contract or the exercising holder in the case of a put option contract except that (A) in the case of a call option contract where the incidents of the tax are attributable solely to the exercising holder, the member representing such holder or another member which acts on its behalf as a clearing member of The Options Clearing Corporation, the tax shall be the responsibility of the exercising holder, and (B) in the case of a put option contract where the incidents of the tax are attributable solely to the seller (writer) to whom the exercise notice is